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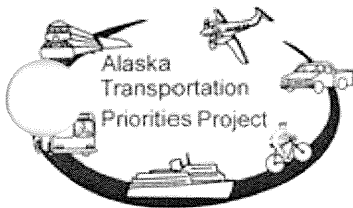
Bell, Leanne S (DOT)

From: Lois Epstein [lois@aktransportation.org]
To: Monday, April 14, 2008 3:58 PM
Subject: DOT STIP
Cc: Ruaro, Randall P (GOV); david.c.miller@fhwa.dot.gov
Attachments: Comments on Draft Amendment 17 of the 2006-2009 STIP attached
amend17com08.doc

Thank you for your attention to these comments.

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Promoting sensible transportation systems in Alaska





Promoting sensible transportation systems in Alaska

April 11, 2008

Via email: dot.stip@alaska.gov

ADOT & PF Division of Program Development

To Whom This Concerns:

Thank you very much for considering the following comments on Draft Amendment 17 to the 2006-2009 Statewide Transportation Improvement Program (STIP) from the Alaska Transportation Priorities Project (ATPP). ATPP works with conservation organizations, transit advocates, community officials, neighborhood organizations, engineers, cargo shippers, and others to promote sensible transportation systems and policies in Alaska. I have directed ATPP from Anchorage since January 2007 and have been a Professional Engineer for over 15 years, licensed in both Alaska and Maryland. In general, ATPP supports safe, economic, well-maintained, and environmentally-appropriate transportation systems in Alaska.

Public Comment Problems

To begin, ATPP would like to document its concern that ADOT & PF refused to extend the public comment period ending on Monday, April 14, 2008 on Thursday, April 10, 2008 when ATPP informed ADOT & PF of a significant error in its eSTIP search system. ATPP requested a short, 15-day comment period extension on April 10. The error found on April 10 resulted in the eSTIP system displaying inaccurate project cost information for the existing STIP for all projects. As a result of this error, the eSTIP search system was taken off-line on April 10 for the existing STIP (Amendment 13) and was unavailable to search Draft Amendment 17 during much of Friday, April 11 while the software was being fixed. In all its communications with the public, ADOT & PF urged commenters to use the eSTIP system, however the system was unavailable for use during the final days of the comment period for the existing STIP, thus preventing the public from meaningfully participating in the public comment process with informed comments. Additionally, all who used the system previous to April 10 unknowingly viewed – and possibly commented upon – inaccurate STIP project cost data.

A second public comment problem ATPP would like to document here is the lack of full project cost information in the STIP and its amendments because ADOT & PF does not display project expenditures prior to the STIP and its amendments. According to 17 AAC 05.165 (c):

- (c) For each project, or an identified phase of a project, the department will state the
 - (1) estimated total project cost; the total project cost may extend beyond the three years of the STIP; [emphasis added]

The plain language of this provision, focusing on total project costs, does not exclude costs already expended. ATPP requests that all future versions of the STIP and its amendments list costs expended for each project before the fiscal years of the STIP or its amendments in addition to those costs after the fiscal years addressed.

Finally, similar to ATPP's comments last year on Draft Amendment 13, ADOT & PF still does not let the public know in chart form all projects that have been cancelled, scaled back, delayed, or increased/decreased in cost in each successive version of the STIP (the Project Changes chart contained in Draft Amendment 13 does not perform this role). ATPP requests that ADOT & PF prepare such an analysis and post it in searchable form on the Internet prior to the public comment period for future changes to the STIP. Without such a document, members of the public must individually analyze the changes from the last version of the STIP, an extremely inefficient and time-consuming process (made especially problematic without the eSTIP system functioning).

The Need to Address Existing Transportation Infrastructure Preservation and Maintenance

As discussed in the *Let's Get Moving 2030: Alaska Statewide Long-Range Transportation Policy Plan* (February 2008), "there is a backlog of [life cycle management] needs" for highways and bridges (p. 69) and there is a highways and bridges routine maintenance funding gap of approximately 50% that is growing (see Exhibit 20, p.70). ATPP supports shifting highway and bridge funding increasingly to life cycle management, i.e., preservation, and routine maintenance rather than construction of controversial mega-projects like the Knik Arm Bridge and the Juneau Road (or "Juneau Access") Project. As stated in 23 CFR 450.104, the "STIP includes sufficient financial information for demonstrating that...[the] STIP can be implemented using committed, available, or reasonably available revenue sources, with *reasonable assurance that the federally supported transportation system is being adequately operated and maintained*" (emphasis added). With such a large backlog of preservation and maintenance needs, it is unclear that ADOT & PF can justify in Draft Amendment 17 construction of the controversial mega-projects mentioned above.

ADOT & PF Needs to Document Full Funding for Transportation Mega-Projects

According to the Commissioner's March 11, 2008 letter to Alaskans introducing Draft Amendment 17, ADOT & PF must "be reasonably confident that full funding for a particular project will be available to complete it before we can add it to the STIP...we must demonstrate that full funding will be available for projects included in the STIP." ATPP is concerned that ADOT & PF is ignoring this provision for two expensive, transportation mega-projects, i.e., the Knik Arm Bridge and the Juneau Road Project.

As ADOT & PF knows, there are built-in incentives for project managers to underestimate costs to bring projects to particular ADOT & PF regions and to get them started. For these reasons, ADOT & PF should review mega-project costs scrupulously to ensure they have a sound basis. More details on the Knik Arm Bridge and the Juneau Road mega-projects are contained below:

Knik Arm Bridge: The Knik Arm Bridge, a transportation mega-project at over \$500 million in cost with a price-tag above \$1 billion when finished with a Phase II connection to Ingra-Gambell Streets

outside of downtown Anchorage,¹ never has had an independent cost estimate performed.² With built-in incentives to lower the cost as discussed above and an additional incentive to provide a minimum-cost project to potential private investors in this proposed toll bridge, an independent cost estimate – preferably a cost estimate range as typically developed by Washington State in its Cost Estimate Validation Process®³ – is essential. Without such a cost estimate range, ADOT & PF cannot confirm that this project can be fully funded.

ATPP also is concerned that the costs for the Knik Arm Bridge listed in Draft Amendment 17 do not contain the transaction costs needed to build the bridge with the help of private investors. As listed in the *Knik Arm Bridge and Toll Authority Application to the U.S. Department of Transportation for TIFIA Credit Assistance for the Knik Arm Crossing Project* (Section D, Page 2 of 14), the transaction costs total over \$200 million above and beyond the over \$600 million in construction costs listed in Draft Amendment 17. Note that the Knik Arm Bridge and Toll Authority's application for TIFIA credit assistance lists \$587 million in Construction Related Costs and \$45 million in Development Phase Activities which together represent the over \$600 million in construction costs (Section D, Page 2 of 14, August 8, 2007). ATPP requests that ADOT & PF include all potential transaction costs for the Knik Arm Bridge in Final Amendment 17.

Juneau Road Project: ATPP is concerned that the Juneau Road Project cost has been significantly underestimated. In addition to the built-in incentives to lower cost estimates discussed above, in its most recent cost estimate (*Juneau Access Improvements Financial Plan 2007 Annual Update*, October 2007 or "Cost Update"), ADOT & PF provides a justification for why unit prices would be significantly lower for the Juneau Road Project than usual Southeast Alaska prices. ADOT & PF claims that low unit prices for the Juneau Road Project are because "large quantities will provide economies of scale that can result in unit prices significantly lower than usual Southeast Alaska unit prices" (Cost Update, Attachment B). ADOT & PF does not plan on bidding out one large project to justify across the board "economies of scale" low unit prices, however, but rather will bid a series of much smaller projects. According to testimony by ADOT & PF Southeast Regional Director Malcolm Menzies to the Alaska House Transportation Committee on February 12, 2008, "the first bid request will be for a 5 mile project [Juneau Lynn Canal Highway, Phase 1] and then, for a 15 mile project [Phase 2]." Because ADOT & PF has removed economies of scale by dividing the project into smaller pieces over a 12-year period, the Department cannot claim significantly lower unit prices based on economies of scale.

Additionally, according to testimony by Robert Dugan, head of Golder Associates in Alaska on February 26, 2008 before the Senate Transportation Committee, ADOT & PF cannot know the cost of the Juneau Road Project without determining if tunnels are needed. This is a very significant, technical comment that needs to be addressed by ADOT & PF in Final Amendment 17's cost estimates.

¹ Phase II is not even discussed in Draft Amendment 17, another flaw with the document.

² The PSB&J "Cost Estimate Review Study" (June 2006) specifically states that "Independent cost estimates were not developed" (p. 9). See http://www.knikbridgefacts.org/Documents/Cost_Estimate_Review_0606.pdf.

³ See <http://www.wsdot.wa.gov/Projects/ProjectMgmt/RiskAssessment/> for more information.

In addition to cost uncertainties, there are significant funding uncertainties regarding the Juneau Road Project making it essentially impossible for ADOT & PF to demonstrate that it's reasonably confident of full funding for the project. ADOT & PF cannot ensure it will get sufficient federal money for this project, or can keep the state money already appropriated and not yet spent. There are several indications that these are serious problems. First, federal funding for transportation is in serious decline and will be less discretionary, as acknowledged by the ADOT & PF Commissioner in his March 11, 2008 letter to Alaskans that introduces Draft Amendment 17. Second, the state legislature in 2007 reduced the amount of money previously allocated for the road by over \$9 million. Third, on March 10, 2008, Representatives Thomas, Hawker, Edgmon, Wilson, Seaton, and LeDoux requested that the House Finance Committee re-appropriate money left in the Juneau Access Road to the Alaska Marine Highway System Fund. The second and third indications show clearly that there is legislative reluctance to continue funding this project.

Projects Partially-Funded by Federal Earmarks

Earlier this year, ADOT & PF sent letters to state legislators and Alaska's federal delegation discussing a draft policy on how partially-funded federal transportation earmarks would be utilized by the Department. ATPP supports finalization of this policy which would ensure that earmarked projects had a reasonable certainty of full funding and that future earmark requestors understand that the Department could only move forward with projects having reasonable certainty of full funding.

ATPP understands that this draft policy still must undergo public comment before finalization. In the meantime, however, ADOT & PF needlessly is spending its limited funds on projects that might soon be cancelled as a result of this policy. That is a mistake. ATPP encourages ADOT & PF to promptly finalize this policy and remove projects affected by the policy from the STIP via amendment as soon as possible.

Thank you very much for your attention to these comments.

Sincerely,

Lois N. Epstein, P.E.
Director

cc: Randy Ruaro, Office of Governor Sarah Palin
David Miller, FHWA Administrator, Alaska Division